

## Message Text

CONFIDENTIAL

PAGE 01 KUALA 04379 310419Z

21

ACTION EB-07

INFO OCT-01 EA-07 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01

PRS-01 /099 W

----- 085660

R 300940Z JUL 76

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 4131

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

C O N F I D E N T I A L KUALA LUMPUR 4379

E.O. 11652: GDS

TAGS: ENRG, MY

SUBJECT: PETROLEUM: EXXON DISCUSSES PETROLEUM NEGOTIATIONS WITH  
PRIME MINISTER

REF: KUALA LUMPUR 4353

1. ESSO EASTERN PRESIDENT O'LAUGHLIN, J. WALWOORD EXXON  
PRODUCTION MALAYSIA PRESIDENT, AND R.J. SMITH, ESSO  
MALAYSIA CALLED ON AMBASSADOR JULY 29 TO REPORT ON PRIVATE  
MEETING WITH PRIME MINISTER WHICH FOLLOWED MEETING ON  
PREVIOUS DAY WITH SENIOR OIL COMPANY EXECUTIVES REPORTED  
REFTEL. SECRETARY OF GOVERNMENT TAN SRI KADIR SHAMSUDDIN WAS  
THE ONLY OTHER GOM OFFICIAL PRESENT. FOLLOWING IS SUBSTANCE  
THEIR REPORT:

2. O'LAUGHLIN BEGAN BY SAYING THAT PM'S ADDRESS IN PREVIOUS  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KUALA 04379 310419Z

DAY'S MEETING SUGGESTED HE THOUGHT EXXON HAD BEEN DRAGGING ITS

FEET IN NEGOTIATIONS WITH PETRONAS. THIS WAS FAR FROM THE TRUTH SINCE EXXON HAD ALREADY INVESTED M\$613 MILLION, AND HAD RECEIVED ONLY M\$45 MILLION IN REVENUE. HE THEN REVIEWED HISTORY OF EXXON'S RELATIONSHIPS AND NEGOTIATIONS WITH PETRONAS AND INDICATED MAJOR PROBLEM AREAS. IT APPARENT FROM MEETING THAT PM HAD BEEN TOLD ONLY PART OF STORY BY RAZALEIGH.

3. WITH FULLER UNDERSTANDING OF SITUATION, PARTICULARLY THAT EXXON HAD NOT BEEN FOOT-DRAGGING AND IN FACT, WAS QUITE ANXIOUS TO REACH AGREEMENT, PM WAS RESPONSIVE AND ACCOMMODATING, SAYING THAT EXXON PARTICIPATION WAS DESIRED AND WELCOME.

4. IN RESPONSE EXXON SUGGESTION, PM AGREED THAT GOM NEGOTIATING TEAM SHOULD BE CHANGED IF NEGOTIATIONS WERE TO SUCCEED. DELS SCHEDULED MEET MORNING JULY 30, TO DISCUSS WHAT TO DO NEXT.

5. KADIR SHAMSUDDIN INFORMED O'LAUGHLIN BEFORE MEETING THAT HE WILL BE NEW CHAIRMAN OF PETRONAS. PM CONFIRMED THIS, SAYING THAT IT WOULD BE ANNOUNCED SOON.

6. RE MANAGEMENT SHARES ARTICLE OF PETROLEUM ACT AMENDMENT, PM SAID "WE ARE GOING TO CHANGE AMENDMENT TO ELIMINATE THIS BUT I CAN'T NOW."

7. SURPRISINGLY, PM ALSO RAISED POSSIBILITY OF MAKING DOWNSTREAM FACULTIES PART OF NEGOTIATING PACKAGE. EXXON HAD, OF COURSE, BEEN THINKING ONLY OF UPSTREAM IN KAURRENT NEGOTIATIONS. EXXON INDICATED ITS RELUCTANCE TO RELINQUISH BEYOND FIFTY PERCENT OF EQUITY DOWNSTREAM AND, AFTER RAISING QUESTION OF RETAINING MANAGEMENT RIGHTS, ASKED THE GOM POSITION. PM DID NOT REALLY ANSWER QUESTION, MENTIONING PROBLEM OF GOM MAKING POLICY DECISIONS.

8. IN RESPONSE TO PM'S REQUEST, EXXON PROVIDED HIM ONE-PAGE SUMMARY OF PRIMARY TERMS. FULL EXXON PRODUCTION SHARING PROPOSAL WILL BE TABLED AT EXXON/PETRONAS MEETING TODAY.

9. MEETING CLOSED WITH PM SAYING THAT IN CASE OF IMPASSE, EXXON SHOULD COME BACK TO PM DIRECTLY, THAT EXXON PARTICIPATION WANTED AND ALTHOUGH "I DON'T KNOW THE DETAILS, I WANT THE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KUALA 04379 310419Z

NEGOTIATIONS TO SUCCEED". EXXON INFORMED US THAT THEY INTENDED TO USE THIS CHANNEL WHEN NEEDED.

10. IN SEPARATE MEETING ON JULY 29, MINISTER MUSA HITAM INFORMED O'LAUGHLIN THAT CABINET HAD NOT BEEN AWARE OF BUY-OUT ASPECT BEFORE JULY 28 MEETING. MUSA ASKED FOR BRIEFING PAPER FROM EXXON, SUGGESTED THAT COPIES ALSO BE PROVIDED TO DPM, MINISTER TAIB, MINISTER HAMZAH AND OTHERS. EXXON SAID THEY

WOULD DO SO. MUSA ALSO SUGGESTED THAT PRINCIPALS INCLUDING  
PM BE KEPT INFORMED OF DEVELOPMENTS.

11. COMMENT: EXXON IS FEELING REASSURED AFTER SECOND  
MEETING WITH PM. O'LAUGHLIN DEPARTED KL TODAY FOR HOUSTON  
"TO CALM DOWN THE DIRECTORS." RAZALEIGH BACKED OFF  
SLIGHTLY BY ANNOUNCING IN PRESS CONFERENCE YESTERDAY THAT ONLY  
AGREEMENT IN PRINCIPAL NEED BE REACHED BY NOVEMBER 15, AND  
THAT FORMAL AGREEMENT COULD BE REACHED LATER.  
UNDERHILL

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM INDUSTRY, PRIME MINISTER, NEGOTIATIONS, DIPLOMATIC DISCUSSIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 30 JUL 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976STATE189191  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760296-0243  
**From:** SECSTATE WASHDC KUALA LUMPUR  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t1976072/aaaaabgo.tel  
**Line Count:** 125  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 KUALA LUMPUR 4353  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** hackerp0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 MAR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 MAR 2004 by ThomasVJ>; APPROVED <06 JAN 2005 by hackerp0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** TRAVEL OF DEPUTY UNDER  
**TAGS:** ELAB, OVIP, ENRG, UK, IT, MY, US, EXXON, (HUSSEIN BIN ONN)  
**To:** LONDON  
ROME  
MULTIPLE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006